

**CLOVERPORT INDEPENDENT SCHOOL DISTRICT'S
ADMINISTRATION OF BRECKINRIDGE COUNTY'S
ADULT EDUCATION GRANTS FROM THE COUNCIL ON
POSTSECONDARY EDUCATION AND KENTUCKY
ADULT EDUCATION**

**For The Period
July 1, 2011 Through June 30, 2012**



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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

September 4, 2013

Reecie Stagnolia, Vice President
Kentucky Adult Education
Council on Postsecondary Education
1024 Capital Center Drive, Suite 250
Frankfort, KY 40601

Dr. John Millay, Superintendent
Cloverport Independent School District
P.O. Box 37
Cloverport, KY 40111

Re: Adult Education Grants

Dear Mr. Stagnolia and Dr. Millay:

This report contains the results of the performance audit of Cloverport Independent School District's administration of the adult education grant for the fiscal year (FY) ending June 30, 2012. The Council on Postsecondary Education and Kentucky Adult Education contracted with this office to conduct performance audits of selected local adult education programs. This report presents our findings, recommendations, and the program's responses.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", written over a horizontal line.

Adam H. Edelen
Auditor of Public Accounts

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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Breckinridge County adult education program for a limited scope performance audit of its adult education grant. The Cloverport Independent School District was responsible for the administration of this grant in FY 2012. An on-site review was conducted on April 22, 2013, to address the following objectives:

- Determine whether KYAE payments to local programs are supported by the program's accounting system.
- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN) with the information retained by the local provider.
- Determine whether the program's expenditures reported to KYAE via AERIN's Finance Module comply with the terms of their grant agreement and are supported by adequate documentation.
- Report internal control weaknesses identified during our audit that relate to the audit's objectives.

To accomplish these objectives, the performance audit team reviewed the Policy and Procedure Manual for Kentucky Adult Education, as well as the local program's agreement with KYAE. During the on-site review, the audit team reviewed the program's accounting records (trial balance/general ledger), interviewed program administrators regarding internal controls related to the above grants, and tested samples of expenditure documentation, participant files, and personnel files for compliance with applicable requirements. Below is the summary of findings:

FINDINGS SUMMARY

Finding	Disallowed Costs
The program's accounting records had support for a total of \$9,561.36 in Federal Supplemental reimbursements, but \$2,759.63 of that amount was budgeted for Federal Supplemental – Personnel category yet none of the supporting expenditures were personnel costs. Therefore, the program's accounting records do not support the reimbursements requested through the KYAE Finance Module for this category.	\$2,759.63
The program purchased an HP LaserJet printer on June 11, 2012 for \$485 but this item was not included on the final KYAE inventory record.	N/A

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RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE

Scope and Methodology

The annual expenditures for which the program requested reimbursement through the KYAE Finance Module were compared to the line item budget approved by KYAE. This comparison was used to determine whether the program's reimbursements complied with the approved budget.

The annual expenditures for which KYAE reimbursed the program were then compared to the program's internally generated financial records. This comparison was used to determine whether the program's accounting records support the total amount requested for reimbursement using the KYAE Finance Module.

Findings

The program's accounting records had support for a total of \$9,561.36 in Federal Supplemental reimbursements, but \$2,759.63 of that amount was budgeted for Federal Supplemental – Personnel category yet none of the supporting expenditures were personnel costs. Therefore, the program's accounting records do not support the reimbursements requested through the KYAE Finance Module for this category.

Recommendations

We recommend that the program's accounting records correspond with the KYAE cost categories. If an amount is budgeted to a personnel related cost category, non-personnel expenses should not be used to request reimbursement in that category. Because \$2,759.63 was requested through an inaccurate cost category, this amount can be considered disallowable and should be refunded to KYAE unless a resolution is reached.

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Program Response

Regarding the federal supplement, the KYAE module would not allow entering those expenditures appropriately in requesting reimbursement items outside salaries/benefits. Those verified allowable expenditures had to be entered as personnel expenses to request reimbursement. This was discussed with Ashley Smithers with KYAE during July 2012. Every effort will be made by the finance officer of the district to adjust the accounting system to more properly track and match expenditures to the KYAE finance module.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

To ensure an unbiased representation of the population, an automated process was used to randomly select 40 participants from the data provided by KYAE. The total population of participants was stratified so that the participants selected had achieved at least one type of academic goal. With this stratification, the auditors were able to test whether the required support was documented and maintained for all of the selected participants.

The sample size was based on the determination to test 20 percent of the program's total participants, not to exceed 60. The participants tested received services during the period from July 1, 2011 through June 30, 2012.

The documentation maintained in the participant files was compared to the electronic student data to test compliance. We examined the files for the following:

- Proper eligibility documentation.
- Proper assessment testing.
- Evidence to support the achievement of goals/objectives reported to KYAE.
- Other requirements based upon the applicable program requirements.

The results of the test apply only to the selected sample and should not be projected to the entire population because the criteria tested may not be applicable to each participant.

Findings

No exceptions were noted.

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EMPLOYEE REQUIREMENTS

Scope and Methodology

The four staff members employed by this program during the audit period were tested for compliance with KYAE personnel requirements. Personnel files were examined to verify that staff conducting work related to the adult education grant had the proper educational credentials required for their position.

Findings

No exceptions were noted.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

To test at least 20 percent of the total purchases, a sample of nine expenditures was selected judgmentally from the program's detailed general ledger. These transactions were maintained at the program level and not available in an electronic format that would allow for an automated selection process. The selected expenditures were tested for authorization/approval, supporting documentation, and proper recording. We also verified that the expenditures were made during the grant period from July 1, 2011 through June 30, 2012. Because this was a judgmental sample, the results of the test cannot be projected to the entire population.

Findings

CPE and KYAE require an annual Inventory Report listing non-consumable items with a useful life greater than one year; however, the program purchased an HP LaserJet printer on June 11, 2012 for \$485 but this item was not included on the final KYAE inventory record.

Recommendations

We recommend that an accurate listing of inventory be maintained and submitted annually to KYAE that includes all purchases of non-consumable items with a useful life greater than one year. The program should review inventory records periodically to verify agreement with the inventory reported to KYAE.

Program Response

The printer was listed on the district's technology inventory and tagged with a fixed asset code; however, it did not get listed on the KYAE-INV1 sheet. This was an oversight and it will be added to the KYAE-INV1 sheet immediately. The printer is currently in use for the adult education program.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Internal Control Questionnaires were provided to program management regarding the controls in place for expenditures, bank reconciliations, revenue, and payroll. The completed questionnaires were reviewed by the audit team for any significant control deficiencies.

Findings

No significant control deficiencies were noted.